

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 L-03 FRB-01 OMB-01 ITC-01 SP-02

USIA-15 AGR-10 AID-05 CIAE-00 COME-00 INR-07 IO-11

LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-02

CEA-01 AF-06 EA-09 EUR-12 NEA-10 /125 W

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R 051530Z MAR 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9134

INFO USUN NEW YORK 697

UNCLAS SECTION 1 OF 2 LIMA 2079

FOR EB - BOEKER; L - FELDMAN; TREAS - LANGE; COMMERCE -
ARRILL; CIEP - GRANFIELD

EO 11652: NA

TAGS: OCON, EFIN, ECOSOC, PE

SUBJ: UNCTNC MEETINGS

1. UNCTNC MEETINGS ON MARCH 2 CONSISTED OF CLOSED SESSION OF
77 AND WEO IN MORNING AND PLENARY IN AFTERNOON. IN WEO
INFORMAL SESSION SUGGESTION WAS MADE THAT WEO NATIONS OUGHT
NOT BE SEEN AS ACTING AS A BLOC. ALSO, IT WAS SUGGESTED THAT
PROPOSALS IN CORRUPT PRACTICES AREA MIGHT BEST BE ADVANCED BY
USA RATHER THAN BY WEO GROUP. PLENARY BEGAN BY ELECTING THREE
VICE-CHAIRMEN - BULGARIA NOMINATED BY USSR SECONDED BY ALGERIA,
ALGERIA NOMINATED BY NIGERIA SECONDED BY YUGOSLOVIA,
NETHERLANDS NOMINATED BY FRANCE SECONDED BY IRAN. RAPPORTEUR
FROM THAILAND NOMINATED BY INDIA SECONDED BY AUSTRALIA.

2. GENERAL DEBATE OPENED WITH RUBIN (US) STATEMENT
EMPHASIZING MNC AS IMPORTANT FACTOR IN WORLD ECONOMY,
BRINGING MANAGEMENT SKILLS, TECHNOLOGY AND CAPITAL TO
SERVE MANKIND. HE EXPRESSED HOPE THAT UNCTNC WILL BE
ABLE TO CONTRIBUTE TO POTENTIAL OF MNCS BY CREATING
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ENVIRONMENT VITAL TO PRIVATE ENTERPRISE SUCCESS. HE

EMPHASIZED GLOBAL INTERDEPENDENCE AND THE NEED FOR COOPERATION. HE OBSERVED THAT FIRST SESSION OF COMMISSION WAS PART COOPERATION AND PART CONFRONTATION, WITH THE REPORT CONTAINING COMPROMISES WHICH NEED TO BE REPLACED BY REALISTIC CONSENSUS.

3. RUBIN PRAISED WORK OF SHLGREN AND UN CENTER, SAYING THEIR DOCUMENTS NOW BEFORE COMMISSION DESERVED CAREFUL ATTENTION. HE NOTED COMMISSION HAS AGREED THAT PRIORITY WILL BE GIVEN TO DRAFTING A CODE OF CONDUCT. SUCH CODES HAVE BEEN ON THE INTERNATIONAL AGENDA FOR MANY YEARS. THE U.S. IS PREPARED TO GIVE FULL COOPERATION IN GETTING DOWN TO REALISTIC CASES. GUIDELINES CANNOT BE DONE IN A VACUUM; CONDITIONS CREATED BY GOVERNMENTS ARE A VITAL PART OF PICTURE. ANY CODE SHOULD APPLY TO STATE TRADING ENTITIES. IF GUIDELINES WERE TO BE MANDATORY, THIS WOULD AMOUNT TO AN INTERGOVERNMENTAL ARRANGEMENT, THEREFORE CREATING A SUPRANATIONAL AND EXTRATERRITORIAL REGIME.

4. RUBIN WENT ON TO SAY THERE ARE BINDING AGREEMENTS BETWEEN GOVERNMENTS IN FIELDS SUCH AS TAXATION, THE EC, THE ANDEAN PACT, AND ICSID. CONCEIVABLY SUCH AN AGREEMENT COULD BE CONSIDERED IN CONNECTION WITH CORRUPT PRACTICES. THE U.S. WOULD HAVE SOMETHING TO SAY ON THIS LATER. HE POINTED OUT THAT THE U.S. APPROVED THE IDEA OF A RESEARCH CENTER BUT THOUGHT RESEARCH SHOULD NOT BE DUPLICATIVE. THE U.S. NOW REQUIRES PUBLICATION OF MORE DATA ON MNCS THAN ANY OTHER COUNTRY, BUT RESPECTS BUSINESS CONFIDENTIALITY. COMPARABLE INFORMATION IS NEEDED ON STATE TRADING ENTERPRISES.

5. ON TECHNICAL HELP TO LDCS, THE U.S. WOULD SUPPORT THE IDEA OF A ROSTER OF QUALIFIED EXPERTS, BUT CIVIL SERVANTS SHOULD NOT BE INVOLVED IN NEGOTIATING PROCESS. THE U.S. WOULD EXAMINE RESEARCH PROPOSALS WITH SYMPATHY, BUT WOULD WANT TO KNOW WHAT WORK WAS ALREADY UNDERWAY. RUBIN SUPPORTED SAHLGREN'S STATEMENT OF PRECEDING DAY. HE NOTED U.S. IS ALSO A HOST NATION FOR INVESTMENT.

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6. SOVIET DELEGATE WAS NEXT SPEAKER. HE CALLED FOR POSITIVE RESULTS FROM SESSION, BLAMED MNCS FOR EXPLOITATION OF LDCS, ECHOED PERUVIAN STATEMENT OF PRECEDING DAY WHICH ACCUSED MNCS OF MENACING INTERNATIONAL PEACE AND SECURITY, AND SAID THE MAIN OBJECT OF THE UN SHOULD BE CONTROL OF MNCS. HE QUOTED FROM BREZHNEV'S RECENT SPEECH, CALLED FOR JUSTICE FOR LDCS AND FOR THEM TO BE MASTERS OF THEIR OWN FATE. HE IMPLIED THAT BEING

"PRACTICAL AND REALISTIC" WOULD REQUIRE REVISION OF COMMISSION MANDATE, AND SUPPORTED IDEA OF NATIONALIZATION OF MNCS. HE SAID REFERENCES TO INTERNATIONAL LAW WERE A MEANS OF APPLYING PRESSURE TO LDCS. HE DILATED ON HIDDEN PROFITS, TRANSFER PRICES, AND OTHER ALLEGED SUBVERSIVE ACTIVITIES OF MNCS, REFERRED APPROPRIATELY TO NIEO AND CERDS, CALLED FOR INTERNATIONAL AND NATIONAL CONTROL OVER MNCS. WORK OF COMMISSION ON CODE SHOULD NOT APPLY TO GOVERNMENTS NOR TO STATE ENTERPRISES. FIRST PRIORITY SHOULD BE GIVEN TO CORRUPT PRACTICES OF MNCS, AS AN URGENT QUESTION. HE CRITICIZED THE UN CENTER FOR NOT DEALING WITH IMPACT OF MNCS ON INTERNATIONAL RELATIONS.

7. SWEDISH DELEGATE MADE LONG PRESENTATION, SAYING FIRST THAT THERE SHOULD BE AGREEMENT ON MAJOR AREAS OF CONCERN, AND SUGGESTING SOME MERGING OF LISTS IN THREE ANNEXES TO COMMISSION REPORT. THERE SHOULD BE DUE ATTENTION TO POSITIVE AND NEGATIVE ASPECTS OF MNCS AND OF THEIR POSITION IN BOTH LDCS AND INDUSTRIAL COUNTRIES. HE SAW CODE OF CONDUCT AS ONE STEP IN A PROCESS, AND CONSIDERED THAT SUCH A CODE COULD BE A DECLARATION OF POLITICAL WILL. TECHNICAL HELP TO LDCS IS A GOOD IDEA; DEFINITION OF AN MNC NEEDS MORE ATTENTION. A CODE SHOULD DEAL MAINLY WITH MNC CONDUCT, BUT SHOULD SAY SOMETHING ABOUT GOVERNMENTS. IT WOULD BE PREMATURE TO SEEK A MANDATORY CHARACTER FOR IT; SUCH WOULD BE FEASIBLE ONLY IF THERE WERE A LEGAL STRUCTURE.

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FOR EB - BOEKER; L- FELDMAN; TREAS - LANGE; COMMERCE -
ARRILL; CIEP - GRANFIELD

8. A CODE, ACCORDING TO THE SWEDE, SHOULD DEAL WITH DISCLOSURE OF INFORMATION, EMPLOYMENT, INDUSTRIAL RELATIONS, RESTRICTIVE BUSINESS PRACTICES, TRANSFER PRICING, TAXATION, AND THE TRANSFER OF TECHNOLOGY, AND SHOULD RECOGNIZE PERMANENT SOVEREIGNTY OVER NATURAL RESOURCES. IT SHOULD DEAL WITH CORRUPT PRACTICES AND BAN POLITICAL INTERFERENCE BY TNCs. HE FAVORED AN INTERSESSIONAL WORKING GROUP TO DEAL WITH CODE.

9. SWEDE WENT ON TO SAY THAT CHIEF PROBLEM WAS LACK OF INFORMATION. ALL MNCs SHOULD GIVE FULL ACCOUNT OF THEIR ACTIVITIES, INCLUDING COUNTRY-BY-COUNTRY BREAKDOWN OF ALL DATA. MAJOR GEOGRAPHIC AREA BREAKDOWNS ARE NOT ENOUGH. UNIFORM STANDARDS OF ACCOUNTING WOULD BE A GOOD IDEA. A COMPREHENSIVE DATA SYSTEM AS OUTLINED BY UN CENTER WOULD BE GOOD, BUT ITS PURPOSES SHOULD BE IDENTIFIED. ACCOUNT NEEDED TO BE TAKEN OF RESEARCH UNDERWAY. LDCs NEED TECHNICAL HELP IN DEALING WITH MNCs, ALSO IN LABOR RELATIONS. MODALITIES OF COMMISSION WORK SHOULD INCLUDE CONTACT WITH UNIONS AND BUSINESS,
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AND THIS SHOULD BE ARRANGED THROUGH LABOR AND EMPLOYER ORGANIZATIONS.

10. UK (MUELLER) BEGAN BY STATING THAT INTERNATIONAL INVESTMENT HAS GROWN FASTER THAN INTERNATIONAL TRADE IN RECENT YEARS, AND THAT THERE IS NEED FOR MACHINERY TO DEAL WITH IT, COMPARABLE TO TRADE MACHINERY. A REASONABLE PATTERN IN MNC ACTIVITY IS NEEDED. THE UK HAS A SUBSTANTIAL STAKE IN INTERNATIONAL BUSINESS, AS BOTH HOME AND HOST COUNTRY. IT WELCOMES FOREIGN INVESTMENT, BUT THERE CAN BE PROBLEMS, AND IT NEEDS TO FEEL ASSURED ABOUT THE ACTIONS OF FOREIGN INVESTORS. ALL UN BODIES DEALING WITH THIS MATTER SHOULD BE COORDINATED. UK CONSIDERS WORK OF UN CENTER THUS FAR AS CONSIDERABLE ACHIEVEMENT.

11. A CODE OF CONDUCT IS A GOOD PLACE TO START. THE UK SUPPORTS THE U.S. ON THE NEED FOR PRACTICALITY. ACCOUNTING STANDARDIZATION IS IMPORTANT. TRANSFER PRICING PROBLEMS SHOULD BE HANDLED THROUGH TAX AGREEMENTS. AN INTERSESSIONAL WORKING GROUP ON CODE

WOULD BE FAVORED. INFORMATION SYSTEM IS ESSENTIAL;
UN CENTER SHOULD BE CLEARING HOUSE, NOT CENTER FOR
ORIGINAL RESEARCH. TECHNICAL HELP TO LDCS IS IMPORTANT.
PRIORITIES NEED TO BE FIXED. DEFINITION OF MNC IS
NEEDED; AND ENTERPRISE WORKING IN MORE THAN ONE
COUNTRY SHOULD DO FOR A START. STATE ENTERPRISES WHICH
GO OUTSIDE FRONTIERS SHOULD BE INCLUDED. THERE SHOULD
BE NO DISCRIMINATION AS BETWEEN TNCs AND LOCAL ENTERPRISES.

12. BULGARIA MADE THE LAST PRESENTATION OF THE DAY,
ECHOING FAITHFULLY WHAT THE USSR HAD SAID.

13. TODAY'S SPEAKERS INCLUDE IRAN, INDIA, YUGOSLAVIA,
JAPAN, AUSTRALIA, AND NGOS.
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